



Too many of Virginia's rural communities have not shared in the economic growth that has been enjoyed by the rest of the Commonwealth. Many rural areas have a higher rate of unemployment than Virginia as a whole, and there is a widening gap in the per-capita income of Virginians living in rural areas and the rest of the state. Like similar communities across the nation, Virginia's rural areas have been hard hit by the loss of manufacturing jobs, by aging and inadequate infrastructure, and the by the exodus of young people for the promise of better jobs in other areas of the state and nation.

Promoting economic growth in Virginia's rural communities is one of Governor Warner's highest priorities. To that end, he has made record new investments in public education; reformed workforce training; and worked aggressively to attract new jobs to communities across rural Virginia. While these efforts show enormous promise, more must be done. Virginia needs to adopt new approaches to rural economic development. We must draw on the strengths of existing industries and community assets, and help prepare workers for the competitive challenges of the future.

***Virginia Works*** represents this new approach to economic development. It is a series of carefully targeted investments totaling \$20.86 million that will create new jobs and build the foundation for a stronger future in our rural communities. ***Virginia Works*** has three parts:

### ***Virginia Works for Existing Business***

Keeping existing industries strong and competitive is the best hope for prosperity and future growth of distressed rural communities. To help these industries enjoy continued success, ***Virginia Works*** presents two new options for these communities:

- **Support for Existing Industry.** One of the keys to achieving continued prosperity and growth among existing industries is to align with their needs the efforts of our community colleges, economic development agencies, K-12 education system, and workforce development system. Too often, these state and local systems are slow to respond to the changing needs of existing industry. ***Virginia Works*** recognizes this and proposes a new approach to these issues – one that is driven by industry, not government.

Under this model, the Commonwealth will award two \$2 million grants to regional consortia that successfully identify better ways to respond to the needs of existing business. These consortia will involve the business community, local community colleges, and existing agencies for economic development. As an important part of the award process, winning grant recipients will develop effective regional economic development strategies including a workforce plan to support existing industry. This plan has been built on the successful experience of Smyth County and the City of Lynchburg in fostering the growth of their existing industries.

- **Significant Regional Project Fund.** In many parts of Virginia, the potential closing of a key business could have devastating effects on an entire region. ***Virginia Works***

proposes a new tool to allow the Governor to provide one-time assistance, with the concurrence of a board of executive and legislative appointees, of up to \$5 million to help a major regional employer push through difficult times and prevent the blow to the community that may have otherwise occurred. In addition to assisting existing businesses, the Governor may also use this fund, with the consent of the board, to recruit economic development prospects that would have an extraordinary impact on distressed communities.

## ***Virginia Works for New Business: Building on Our Assets***

Governor Warner believes that economic development programs must – in addition to attracting new industries – give greater emphasis to the often-untapped assets of rural Virginia. We need to recognize our existing strengths and use them to create new jobs and opportunities for citizens in rural areas. In addition to increasing the Governor's Opportunity Fund by \$2 million, ***Virginia Works*** does this in three principal areas:

- Tourism. In 2003, tourism in Virginia had an economic impact of \$15.2 billion, which represents 5.1 percent of the Gross State Product and 280,700 full time jobs. Virginia's success in tourism is attributable to the Commonwealth's natural beauty, vast historical resources and close proximity to major population centers along the east coast. To build on this impressive foundation, ***Virginia Works*** proposes to invest \$3 million in a new network of rails to trails across Southside Virginia; \$375,000 for the New Virginia Trails program, which will link and better promote existing tourist destinations; and \$397,500 for technical assistance to communities that want to develop their tourism industries.

In addition, ***Virginia Works*** includes an exciting new initiative to promote the sale and marketing of hand-made Virginia crafts. The Virginia Artisans Initiative will establish two retail centers in Western Virginia for the sale of local crafts; establish a marketing support network for Virginia artisans; establish new educational programs for Virginia artisans; and partner with the Virginia Coalfields Economic Development Authority to develop an artisan production facility in that region. The initial cost of the Virginia Artisan Initiative is \$4.97 million. The states of Kentucky, West Virginia and North Carolina have successfully launched similar programs.

- Advanced Manufacturing. In Virginia, advanced manufacturing is more concentrated in rural areas than other parts of the state. To build on that strength, ***Virginia Works*** will develop several new advanced manufacturing initiatives around Virginia that hold the promise of new jobs in rural areas. Virginia Works invests new resources in these initiatives, including \$379,000 to launch an Advanced Manufacturing/Packaging program at Dabney Lancaster Community College in Clifton Forge; \$100,000 for the Sloan Foundation Forestry Industries Center at Virginia Tech; and \$394,000 for the creation of the Virginia Small Manufacturing Assistance Program.

Virginia Works will build on the export assistance program currently available for large manufacturers (VALET) with a new program of export assistance for small manufacturers in distressed areas. To qualify for this new program, companies must have a minimum of 10 employees and \$1 million in annual sales. This new initiative has a budget of \$215,000 for the 2006 fiscal year.

- Specialty Agriculture. Virginia will fund additional research on specialty crops at Virginia Tech and Virginia State University and facilitate the development and marketing of high-value specialty agricultural production. The program has a cost of \$325,000, plus \$300,000 in federal matching funds.

## ***Virginia Works for Strengthened Communities.***

Virginia Works for Strengthened Communities will help rural communities build the kind of infrastructure they need to compete effectively for new jobs. The program has three parts:

- Virginia Community Development Bank. This newly-created financial institution will provide capital to new and expanding businesses in distressed areas of Virginia. It will be capitalized with \$15 million from existing programs assets, will not compete with banks and other financial institutions, and will provide loans to borrowers who would not otherwise be served by a commercial bank. Efforts in neighboring states and localities have effectively utilized community development banks to foster economic development.
- Effective Use of Federal New Market Tax Credits. New Market Tax Credits were authorized by Congress in 2000 to attract new investment in distressed economic areas. Since their inception, New Market Tax Credits have been severely underutilized in the Commonwealth. To reverse this trend, Virginia Works creates a new initiative within the Department of Housing and Community Development to pursue these credits and coordinate their use with major banks in the Commonwealth.
- New Site Redevelopment Funding. One of the significant impediments that many rural communities face is the presence of old and abandoned industrial sites. These sites not only deprive communities of what is often the most attractive, developable land in town, they also create a negative impression of the community to potential employers. ***Virginia Works*** will, for the first time ever, make grants available on a competitive basis to demolish and remove abandoned plants, and to redevelop sites for new investment. In addition, the initiative will make new funds available to the Brownfields program. The cost of this initiative is \$4 million.